

(1) Pay royalties on all oil production for the previous year at the lease stipulated royalty rate plus interest (under 30 U.S.C. 1721 and §218.54 of this chapter) by March 31 of the current calendar year, and

(2) Pay royalties on all your oil production in the current year.

(b) Suppose the arithmetic average of the daily closing NYMEX natural gas prices for the previous calendar year exceeds \$3.50 per million British thermal units (Btu), as adjusted in paragraph (f) of this section. In this case, we retract the royalty relief authorized in this section and you must:

(1) Pay royalties on all natural gas production for the previous year at the lease stipulated royalty rate plus interest (under 30 U.S.C. 1721 and §218.54 of this chapter) by March 31 of the current calendar year, and

(2) Pay royalties on all your natural gas production in the current year.

(c) Production under both paragraphs (a) and (b) of this section counts as part of the royalty-suspension volume.

(d) You are entitled to a refund or credit, with interest, of royalties paid on any production (that counts as part of the royalty-suspension volume):

(1) Of oil if the arithmetic average of the closing oil prices for the current calendar year is \$28.00 per barrel or less, as adjusted in paragraph (f) of this section, and

(2) Of gas if the arithmetic average of the closing natural gas prices for the current calendar year is \$3.50 per million Btu or less, as adjusted in paragraph (f) of this section.

(e) You must follow our regulations in part 230 of this chapter for receiving refunds or credits.

(f) We change the prices referred to in paragraphs (a), (b), and (d) of this section periodically. For pre-Act leases, these prices change during each calendar year after 1994 by the percentage that the implicit price deflator for the gross domestic product changed during the preceding calendar year. For post-November 2000 deepwater leases, these prices change as indicated in the lease instrument or in the Notice of Sale under which we issued the lease.

[63 FR 2618, Jan. 16, 1998, as amended at 67 FR 1878, Jan. 15, 2002]

#### **§ 203.79 How do I appeal MMS's decisions related to Deep Water Royalty Relief?**

(a) Once we have designated your lease as part of a field and notified you and other affected operators of the designation, you can request reconsideration by sending the MMS Director a letter within 15 days that also states your reasons. The MMS Director's response is the final agency action.

(b) Our decisions on your application for relief from paying royalty under §203.67 and the royalty-suspension volumes under §203.69 are final agency actions.

(c) If you cannot start construction by the deadline in §203.76(b) for reasons beyond your control (e.g., strike at the fabrication yard), you may request an extension up to 1 year by writing the MMS Director and stating your reasons. The MMS Director's response is the final agency action.

(d) We will notify you of all final agency actions by certified mail, return receipt requested. Final agency actions are not subject to appeal to the Interior Board of Land Appeals under 30 CFR part 290 and 43 CFR part 4. They are judicially reviewable under section 10(a) of the Administrative Procedure Act (5 U.S.C. 702) *only* if you file an action within 30 days of the date you receive our decision.

#### **§ 203.80 When can I get royalty relief if I am not eligible for end-of-life or deep water royalty relief?**

We may grant royalty relief when it serves the statutory purposes summarized in §203.1, and our formal relief programs provide inadequate encouragement to increase production or development. Unless your lease lies wholly west of 87 degrees, 30 minutes West longitude in the Gulf of Mexico, your lease must be producing to qualify for relief. Before you may apply for royalty relief apart from our end-of-life or deepwater programs, we must agree that your lease or project has two or more of the following characteristics:

(a) The lease has produced for a substantial period and the lessee can recover significant additional resources. Significant additional resources means enough to allow production for at least

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a year more than would be profitable without royalty relief.

(b) Valuable facilities (e.g., a platform or pipeline that would be removed upon lease relinquishment) exist that we do not expect a successor lessee to use. If the facilities are located off the lease, their preservation must depend on continued production from the lease applying for royalty relief. We will only consider an allocable share of costs for off-lease facilities in the relief application.

(c) A substantial risk exists that no new lessee will recover the resources.

(d) The lessee made major efforts to reduce operating costs too recently to use the formal program for royalty re-

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lief (e.g., recent significant change in operations).

(e) Circumstances beyond the lessee's control, other than water depth, preclude reliance on one of the existing royalty relief programs.

[67 FR 1879, Jan. 15, 2002]

### REQUIRED REPORTS

#### § 203.81 What supplemental reports do royalty-relief applications require?

(a) You must send us the supplemental reports, indicated in the following table by an X, that apply to your field. Sections 203.83 through 203.91 describe these reports in detail.

Required reports	End-of-life lease	Deep water		
		Expansion project	Pre-act lease	Development project
(1) Administrative information Report .....	X	X	X	X
(2) Net revenue & relief justification report .....	X			
(3) Economic viability & relief justification report (RSVP model inputs justified by other required reports) .....		X	X	X
(4) G&G report. ....		X	X	X
(5) Engineering report. ....		X	X	X
(6) Production report. ....		X	X	X
(7) Deep water cost report .....		X	X	X
(8) Fabricator's confirmation report. ....		X	X	X
(9) Post-production development report. ....		X	X	X

(b) You must certify that all information in your application, fabricator's confirmation and post-production development reports is accurate, complete, and conforms to the most recent content and presentation guidelines available from the MMS GOM Regional Office.

(c) With your application and post-production development report, you must submit an additional report prepared by an independent CPA that:

(1) Assesses the accuracy of the historical financial information in your report; and

(2) Certifies that the content and presentation of the financial data and information conform to our most recent guidelines on royalty relief. This means the data and information must—

(i) Include only eligible costs that are incurred during the qualification months; and

(ii) Be shown in the proper format.

(d) You must identify the people in the CPA firm who prepared the reports

referred to in paragraph (c) of this section and make them available to us to respond to questions about the historical financial information. We may also further review your records to support this information.

[63 FR 2618, Jan. 16, 1998, as amended at 67 FR 1879, Jan. 15, 2002]

#### § 203.82 What is MMS's authority to collect this information?

The Office of Management and Budget (OMB) approved the information collection requirements in part 203 under 44 U.S.C. 3501 *et seq.* and assigned OMB control number 1010-0071.

(a) We use the information to determine whether royalty relief will result in production that wouldn't otherwise occur. We rely largely on your information to make these determinations.

(1) Your application for royalty relief must contain enough information on finances, economics, reservoirs, G&G